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CONSOLIDATED BALANCE SHEET

and

SUMMARY OF CONSOLIDATED EARNINGS AND SURPLUS

WEINBERGER DRUG STORES, INC.

AND SUBSIDIARY

CLEVELAND

FOR THE FISCAL YEAR ENDED
JUNE THE THIRTIETH
NINETEEN HUNDRED
THIRTY-SEVEN

CERTIFICATE OF AUDITORS

August 31, 1937

Weinberger Drug Stores, Inc.,
Cleveland.

We have made an examination of the consolidated balance sheet of WEINBERGER DRUG STORES, INC. and subsidiary SUPERIOR LABORATORIES, INC. as at June 30, 1937, and of the summaries of consolidated earnings and surplus for the year ended at that date. In connection therewith we examined or tested accounting records of the Companies and other supporting evidence and obtained information and explanations from officers and employees of the Companies; we also made a general review of the accounting methods and of the operating and income accounts for the year, but we did not make a detailed audit of the transactions.

Merchandise inventories represent principally physical inventories taken and priced by employees of the Companies under the direction of the management during June and July 1937, and adjusted for intervening transactions to June 30, 1937. We tested inventory quantities at the warehouse, laboratory and five of the stores, and our test as to computations and pricing indicated that the latter represented approximate cost or lower.

In our opinion, based upon our examination, the accompanying consolidated balance sheet and related summary of earnings and surplus fairly present the consolidated position of the Companies at June 30, 1937, and the results of their operations for the year ended at that date. Further, it is our opinion that the statements have been prepared in accordance with accepted accounting principles and on a basis consistent with the preceding year.

ERNST & ERNST
Certified Public Accountants

TO THE SHAREHOLDERS:

On behalf of the Board of Directors, I present herewith the Corporation's annual report for the fiscal year ended June 30, 1937, based on the audit of our books by Messrs. Ernst and Ernst.

Net profit for the year after deducting all charges including depreciation and provision for all Federal Taxes was equivalent to $3.03 per share as compared to $2.04 per share for the fiscal year 1936. Thirty-seven stores are now operated.

As evidenced by the earnings statement your company has continued to progress.

Very truly yours,

ADOLPH WEINBERGER,
President.

CONSOLIDATED BALANCE SHEET
WEINBERGER DRUG STORES, INC. AND SUBSIDIARY
As at the close of business June 30, 1937.

ASSETS

CURRENT ASSETS			
Cash on hand and demand deposits		$171,545.79	
Customers accounts receivable and vendors debit balances	$ 27,094.76		
Less reserve	1,665.17	25,429.59	
Tax stamps-state		7,966.23	
Inventory (at estimated cost or lower-not in excess of market)		996,904.79	$1,201,846.40
OTHER ASSETS			
Cash surrender value of life insurance		$ 19,269.96	
Miscellaneous accounts receivable, sundry advances, etc.		12,761.53	
Claims against closed banks	$ 5,893.10		
Less reserve	3,324.42	2,568.68	
Accounts receivable from officers		989.15	35,589.32
FIXED ASSETS			
Furniture and fixtures, etc.-at cost	$361,302.78		
Leasehold improvements—at cost	119,117.20	$480,419.98	
Less reserves for depreciation and amortization		168,199.74	312,220.24
PATENTS AND TRADE MARKS (nominal amount)			1.00
DEFERRED			
Unexpired insurance premiums, deferred taxes, supplies, etc.			32,351.63
			$1,582,008.59

LIABILITIES, CAPITAL STOCK AND SURPLUS

CURRENT LIABILITIES			
Notes payable:			
To bank	$150,000.00		
To vendor	2,322.45	$152,322.45	
Accounts payable for purchases, expenses, etc.		234,880.93	
Pay rolls and additional compensation		32,215.61	
Accrued taxes (estimated) including social security		80,505.06	$499,924.05
CAPITAL STOCK AND SURPLUS			
Capital stock (without par value):			
Authorized 100,000 shares			
Outstanding 80,000 shares-stated capital		$589,670.00	
Surplus:			
Capital	$105,409.39		
Profit and loss	387,005.15	492,414.54	1,082,084.54
			$1,582,008.59

(Note A) The management of the Company has no knowledge of any contingent liabilities other than pending suits and claims for personal injury, and claims for additional compensation, as to which, considering the nature of such cases and the amounts involved, the proceedings will not, in the opinion of the management of the Company, result in any losses of a material amount to the Company and its subsidiary.

SUMMARY OF CONSOLIDATED EARNINGS AND SURPLUS
WEINBERGER DRUG STORES, INC. AND SUBSIDIARY
For the fiscal year ended June 30, 1937.

SUMMARY OF CONSOLIDATED EARNINGS

Gross profit			$1,675,924.83
Selling, general and administrative expense			1,342,363.62
OPERATING PROFIT			$ 333,561.21
Other income:			
Reserve for general contingencies, provided during preceding year, returned to income		$ 1,000.00	
Miscellaneous income		1,991.86	2,991.86
			$ 336,553.07
Other deductions:			
Settlement of lawsuit and attendant expense		$ 35,635.70	
Interest expense		1,759.96	
Miscellaneous charges		1,819.64	39,215.30
PROFIT BEFORE FEDERAL TAXES ON INCOME			$ 297,337.77
Provision for estimated federal taxes on income:			
Excess profits tax		$ 2,100.00	
Normal tax		42,750.00	
Surtax on undistributed profits		9,400.00	54,250.00
NET PROFIT			$ 243,087.77

(Note) Provisions for depreciation and amortization, in the aggregate amount of $42,291.73, are included in the above expenses.

CONSOLIDATED SURPLUS

CAPITAL SURPLUS			
BALANCE June 30, 1936 and 1937			$ 105,409.39
PROFIT AND LOSS-SURPLUS			
BALANCE June 30, 1936		$295,917.38	
ADDITION			
Net profit for the fiscal year ended June 30, 1937		243,087.77	
		$539,005.15	
DEDUCTIONS			
Cash dividends:			
$.30 a share paid October 1, 1936	$ 24,000.00		
.30 a share paid January 2, 1937	24,000.00		
.40 a share paid April 1, 1937	32,000.00		
.90 a share paid June 26, 1937	72,000.00	152,000.00	
BALANCE JUNE 30, 1937			387,005.15
TOTAL SURPLUS JUNE 30, 1937			$ 492,414.54

(Note) A dividend of $.30 a share declared during the preceding fiscal year was paid July 1, 1936.